

Message Text

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ORIGIN OPIC-12

INFO OCT-01 ISO-00 EB-11 EA-11 AID-20 PRS-01 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 TRSE-00 XMB-07 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 /091 R

66620

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EA/LC:L RIVES

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R 162226Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY VIENTIANE

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E.O. 11652: N/A

TAGS: LA,EINV

SUBJECT: OPIC PRESS RELEASE RE REACTIVATED PROGRAMS IN SOUTH
VIETNAM AND LAOS

1. FOLLOWING IS TEXT OF PRESS RELEASE TO BE DISTRIBUTED TO
U.S. MEDIA ON MONDAY, AUGUST 19.

2. WASHINGTON, D. C. AUGUST 19-- THE OVERSEAS PRIVATE INVESTMENT
CORPORATION TODAY ANNOUNCED RESUMPTION OF ITS INSURANCE AND
FINANCE PROGRAMS ON A LIMITED BASIS IN SOUTH VIETNAM AND LAOS.

OPIC PROGRAMS FOR ENCOURAGING U.S. PRIVATE INVESTMENT IN INDOCHINA
WERE SUSPENDED DURING THE WAR YEARS, AND SINCE 1971. THEIR
RESUMPTION HAS BEEN
SUBJECT TO CONGRESSIONAL DECISION. THE
SENATE-HOUSE CONFERENCE COMMITTEE ON OPIC LEGISLATION HAS
AGREED TO A "PRUDENT" RESUMPTION ON THE CONDITION THAT OPIC
WILL CONSULT WITH THE CONGRESS ON ITS PLANS AND
ACTIVITIES IN INDOCHINA.

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THE DIRECTIVE WAS CONTAINED IN THE STATEMENT OF THE CONFERENCE COMMITTEE MANAGERS WHICH ACCOMPANIED THE FINAL BILL EXTENDING POIC'S AUTHORITY THROUGH DECEMBER 31, 1977. THE BILL WAS PASSED BY THE HOUSE ON AUGUST 8, AND THE SENATE ON AUGUST 13, AND NOW AWAITS PRESIDENT FORD'S SIGNATURE.

IN COMPLIANCE WITH THE COMMITTEE'S DIRECTIVE, OPIC'S BOARD OF DIRECTORS ESTABLISHED SPECIAL RISK MANAGEMENT TERMS TO GOVERN ISSUANCE OF INSURANCE OR ASSISTANCE IN FINANCING PROJECTS IN THE TWO COUNTRIES. THE BOARD'S POLICY HAS BEEN FORWARDED TO THE SENATE COMMITTEE ON FOREIGN RELATIONS AND THE HOUSE COMMITTEE ON FOREIGN AFFAIRS.

THIS OPIC POLICY GUIDELINE STATES THAT ITS MANAGEMENT WILL KEEP THE TWO COMMITTEES INFORMED ABOUT PROJECTS APPROVED, AND WILL CONSULT WITH THE COMMITTEES BEFORE IT CONSIDERS ANY PROPOSAL WHICH DOES NOT FALL WITHIN THE GUIDELINES.

THE POLICY ALSO STATES THAT "PENDING THE RESTORATION OF RELATIVELY STABLE POLITICAL AND SECURITY CONDITIONS IN THE REPUBLIC OF VIETNAM OR LAOS, AS DETERMINED BY THE BOARD, ALL COMMITMENTS TO FINANCE PROJECTS OR TO INSURE INVESTMENTS IN VIETNAM OR LAOS SHALL BE MADE ONLY WITH APPROVAL OF THE BOARD."

IT ESTABLISHES FOUR PRINCIPAL RESTRICTIONS:

RISK ASSESSMENT: EACH PROJECT APPROVAL PAPER SUBMITTED TO THE BOARD MUST BE ACCOMPANIED BY A CURRENT ASSESSMENT OF RISKS SPECIFICALLY RELATED TO THE PROJECT AND ITS GEOGRAPHIC LOCATION.

RISK-SHARING: NO MORE THAN 80 PERCENT OF AN INVESTOR'S INTEREST IN A PROJECT, INCLUDING RETAINED EARNINGS, WILL BE INSURED BY OPIC, EXCEPT IN THE CASE OF INVESTMENTS BY US SMALL BUSINESS AND BANKS OR OTHER INSTITUTIONAL LENDERS, WHEN UP TO 90 PERCENT MAY BE COVERED. NO MORE THAN 50 PERCENT OF THE TOTAL EXTERNAL FINANCING OF A PROJECT MAY BE PROVIDED BY OPIC THROUGH LOAN GUARANTIES OR DIRECT LOANS.

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SCALE: INSURANCE COMMITMENTS TO A SINGLE PROJECT WILL BE LIMITED TO \$5 MILLION OR LESS OF INSURED INVESTMENT UNLESS THERE IS SIGNIFICANT PARTICIPATION BY PRIVATE INSURERS AND REINSURERS. FINANCIAL PARTICIPATION THROUGH LOAN GUARANTIES AND DIRECT LOANS ISSUED BY OPIC IS NOT EXCEED \$5 MILLION IN ANY SINGLE PROJECT.

FEES: INSURANCE PREMIUM RATES AND TERMS OF FINANCING WILL BE ESTABLISHED ON THE BASIS OF OPIC'S JUDGEMENT OF THE RISK INVOLVED.

PERIODIC ADJUSTMENT OF PREMIUM RATES WITHIN DEFINED LIMITS MAY BE
MADE SUBJECT TO NEGOTIATION. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, PRESS RELEASES, INVESTMENTS, FINANCIAL PROGRAMS, US CONGRESSIONAL PRESENTATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE180826
Document Source: CORE
Document Unique ID: 00
Drafter: OPIC/PA:ROBERT L JORDAN
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740227-0138
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740839/aaaabhsg.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 09 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 OCT 2002 by ReddocGW>; APPROVED <23 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPIC PRESS RELEASE RE REACTIVATED PROGRAMS IN SOUTH VIETNAM AND LAOS
TAGS: EINV, LA, VS, OPIC
To: VIENTIANE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005